



Own Business? Render with Caution But Render!

The property tax is one of more than 60 taxes, fees and assessments in Texas. There are two types - real property taxes (land and improvements) and business personal property (BPP) taxes (those items used for the production of income in your business such as furniture, fixtures, inventory, equipment, motor vehicles, vessels, and aircraft). These items are typically referred to as business personal property. Pay either real or BPP taxes late (after January 31st) and incur egregious penalties and interest. Fail to render (or report) your BPP value by April 1 and be hit by an additional 10% penalty on the entire amount due.

State law requires the CAD to determine the January 1 market value of BPP even if you fail to render, thus, your first responsibility as an owner is to file the annual rendition. As a courtesy, CADs mail rendition forms to businesses known to have been in operation in the prior year. If your business does not receive a form, contact the CAD and ask for blank forms or visit their website.

You will report the business location, owner name and an itemized listing of your assets as of January 1. If your BPP is worth \$20,000 or more, you must provide either a good faith opinion of its market value or the original cost and date of acquisition. Various sections of the rendition deal with inventory, consigned goods, raw materials, work in process, furniture and fixtures, machinery and equipment, computers, leasehold improvements, and supplies. Businesses with a value below \$500 are exempt but it is wise to file a rendition in order to prevent a later penalty for failure to render. All renditions are confidential.

For additional information on the rendition process, I suggest visiting the Harris CAD website (hcad.org) under the Appraisal then Industrial and Personal Property tab (<https://hcad.org/hcad-resources/hcad-industrial-personal-property/>). This site provides, by far, the most extensive yet simple information available.

League City CPA Tom Crews warns to not overvalue your BPP which will result in higher taxes. He stated that, "The primary culprit lies within the inventory category and being in a hurry." A business' inventory typically represents the largest portion of its value and overstatements can have significant ramifications. According to Tom, "If you take the time to provide a good faith market estimate, real savings may result."

You may claim an exemption for one motor vehicle (or light truck) if used for both the production of income and personal activities. Applications must be completed no later than April 30th. The Chief Appraiser may require you to apply each year. Exemption forms are available at https://comptroller.texas.gov/search/?site=ctg_collection&q=50-759

You must notify the CAD if you close a business. The affidavit form may be found on the GCAD website at the following link: http://galvestoncad.org/data/_uploaded/file/Forms/PPAffidavit.pdf. Note: if you close a business January 1, you will owe taxes for the entire year!

Additional information will be provided at the League City Chamber Clear Vision Financial Literacy & Taxes program scheduled February 26th at 8:30 am at Butler's Courtyard. Contact the League City Chamber for additional information.